

3.1.7

Policy Title: 3.1.7 Prepaid Expenses

Section: 3.0 Operations

Last Approved: January 2020

BACKGROUND

The purpose of this policy is to outline the Association's accounting requirements for prepaid expenses. Prepaid expenses are non-financial assets which result when payments are made in advance of the receipt of goods or services. Prepaid expenses may arise from payments for insurance premiums, leases, professional dues, memberships and subscriptions.

APPLICATION

The application of this policy is to provide direction to current employees and Executive members regarding Association prepaid expenses.

POLICY STATEMENT

1. Management should avoid prepaying for goods and services. Prepayment may be necessary when a vendor requires payment prior to the shipping or provision of goods and services (e.g., subscriptions, course registrations, deposits for events, hotels, etc.).
2. Prepaid expenses should only be recorded for significant amounts.
3. All prepaid expenses transactions are to be promptly and accurately recorded.
4. An analysis of aged prepaid expenses should be prepared to provide management information on outstanding amounts. Management can then take remedial action where necessary.

REFERENCES